

Bob
Voordeckers

KINGMAN AIRPORT AUTHORITY, INC.

ANNUAL FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 1995

KINGMAN AIRPORT AUTHORITY, INC.
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CRONSTROM & TRBOVICH
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Kingman Airport Authority, Inc.

We have audited the accompanying general-purpose financial statements of the Kingman Airport Authority, Inc. (Authority), as of and for the year ended June 30, 1995, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Kingman Airport Authority, Inc. as of June 30, 1995, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion of the general-purpose financial statements taken as a whole. The schedule listed in the table on contents as supplementary information is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose statements taken as a whole.

Cronstrom & Trbovich, P.C.

Cronstrom & Trbovich, P.C.

October 16, 1995

General-Purpose Financial Statements

KINGMAN AIRPORT AUTHORITY, INC.
 COMBINED BALANCE SHEET — ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1995

	Enterprise Fund
<hr/>	
ASSETS	
Cash and investments	\$ 71,569
Restricted assets	75,930
Accounts receivable	3,960
Due from escrow agent	238,000
Prepaid items	12,431
Deposits	918
Fixed assets (net of accumulated depreciation)	4,307,975
Intangible assets (net of accumulated amortization)	54,587
	<hr/>
TOTAL ASSETS	\$ 4,765,370
	<hr/>
LIABILITIES AND FUND EQUITY	
<hr/>	
LIABILITIES	
Accounts payable	\$ 14,357
Due to City of Kingman	25,000
Notes payable	297,189
Capital leases payable	6,128
	<hr/>
TOTAL LIABILITIES	342,674
	<hr/>
FUND EQUITY	
Contributed capital	4,157,235
Retained Earnings	
Reserved for ADOT loan	75,930
Reserved for land sale trust	167,461
Unreserved	22,070
	<hr/>
TOTAL FUND EQUITY	4,422,696
	<hr/>
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,765,370
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The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1995

	Enterprise Fund
OPERATING REVENUES	
Leases	\$ 266,598
Total operating revenues	266,598
OPERATING EXPENSES	
Personnel	206,731
Payroll taxes and benefits	52,545
Office expense	10,671
Professional services	22,910
Maintenance and repairs	41,468
Motor pool	10,858
Operational expense	84,038
Depreciation	227,789
Amortization	5,550
Total operating expenses	662,560
Operating income (loss)	(395,962)
NONOPERATING REVENUES (EXPENSES)	
Contributions and donations	53,233
Interest revenue	4,583
Application fees	4,750
Land sales	526,000
Miscellaneous revenues	1,127
Interest expense	(23,424)
Contingencies	(79,223)
Total Nonoperating revenues (expenses)	487,046
Net Income	91,084
Retained Earnings, beginning of year	174,377
Retained Earnings, end of year	\$ 265,461

The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.
 COMBINED STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL—(BUDGETARY BASIS)
 YEAR ENDED JUNE 30, 1995

Enterprise Fund			
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Intergovernmental	\$ 3,589,571	\$ 11,014	\$ (3,578,557)
Contributions and donations	-	53,233	53,233
Interest revenue	-	4,583	4,583
Leases	266,049	266,598	549
Application fees	-	4,750	4,750
Land sales	233,500	526,000	292,500
Miscellaneous revenues	45,500	1,127	(44,373)
TOTAL REVENUES	4,134,620	867,305	(3,267,315)
EXPENSES			
Personnel	214,804	206,731	8,073
Payroll taxes and benefits	57,421	52,545	4,876
Office expense	13,800	10,671	3,129
Professional services	22,020	22,910	(890)
Maintenance and repairs	14,500	41,468	(26,968)
Motor pool	7,900	10,858	(2,958)
Operational expense	107,500	84,038	23,462
Debt service	128,346	114,461	13,885
Capital outlay	3,403,842	18,012	3,385,830
Contingencies	45,015	79,223	(34,208)
TOTAL EXPENSES	4,015,148	640,917	3,374,231
Excess (deficiency) of revenues over expenses	\$ 119,472	\$ 226,388	\$ 106,916

The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.
 COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1995

	Enterprise
<hr/>	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash flows from operating activities	
Cash received from customers	\$ 275,177
Cash payments to employees for services	(205,263)
Cash payments to suppliers for goods/services	(222,689)
Nonoperating revenues	347,110
Contingency expense	(79,223)
	<hr/>
Net cash provided by operating activities	115,112
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Cash flows from non-capital financing activities	
Cash received from City of Kingman short-term loan	25,000
	<hr/>
Net cash provided for non-capital financing activities	25,000
	<hr/>
Cash flows from capital and related financing activities	
Acquisition of capital assets	(29,339)
Principal paid on capital leases	(8,902)
Interest paid on capital leases	(722)
Principal paid on notes payable	(82,135)
Interest paid on notes payable	(22,702)
Capital grants received	11,014
	<hr/>
Net cash provided (used) for capital and related financing activities	(132,786)
	<hr/>
Cash flows from investing activities	
Interest	4,583
	<hr/>
Net cash provided by investing activities	4,583
	<hr/>
Net increase in cash and cash equivalents	11,909
Cash and cash equivalents at beginning of year	135,590
	<hr/>
Cash and cash equivalents at end of year	\$ 147,499
	<hr/>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET	
Cash and investments	\$ 71,569
Restricted assets	75,930
	<hr/>
Total	\$ 147,499
	<hr/>

(Continued)

KINGMAN AIRPORT AUTHORITY, INC.
 COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1995

(Concluded)

Enterprise

RECONCILIATION OF OPERATING INCOME TO NET CASH
 PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (395,962)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	227,789
Amortization	5,550
Nonoperating revenues	347,110
Contingency expense	(79,223)
Changes in assets and liabilities	
Decrease (increase) in accounts receivable	8,579
Decrease (increase) in prepaid expenses	1,234
Increase (decrease) in accounts payable	(1,433)
Increase (decrease) in accrued payroll	1,468
Net cash provided by operating activities	<u>\$ 115,112</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The Authority received donated assets totalling \$8,300 during the year.

The accompanying notes to financial statements are an integral part of this statement.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kingman Airport Authority, Inc. was incorporated in the State of Arizona in July 1992 as a nonprofit corporation. The authority operates, maintains, and manages the Kingman Airport and Industrial Park for the City of Kingman. The authority is administered by the board of directors who are elected by the membership of the Authority.

The Kingman Airport Authority, Inc. was formed by transferring the assets and liabilities of the Mohave County Airport Authority, Inc., which related to the Kingman Airport and Industrial Park, to the Kingman Airport Authority, Inc. The Authority leases the real property, on which the airport and industrial park is located, from the City of Kingman under a long term lease. Primary sources of funding for the authority are rents from subleasing real property, proceeds from the sale of real property located in the Kingman Airport Industrial Park, and grants from other governmental units. Functions financed by the Authority include the management, maintenance, and development of the Kingman Airport and the Kingman Airport Industrial Park. The Authority is considered to be a political subdivision of the State of Arizona, Mohave County and the City of Kingman with the responsibility of carrying out the function of airport management.

The financial statements of the Kingman Airport Authority, Inc. (Authority) conform to generally accepted accounting principles as applicable to governmental units. The more significant of the Authority's accounting policies are described below.

Reporting Entity - In evaluating how to define the Authority, for financial reporting purposes, management has identified no potential component units. The decision to include a potential component unit in the reporting entity would have been made by applying criteria set forth in generally accepted accounting principles. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e., the Authority) are financially accountable. The primary government is financially accountable for a potential component unit if it: appoints a voting majority of the potential component unit's governing body; and, either is able to impose its will on the potential component unit or there is a possibility of the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. In addition, a primary government may be financially accountable for a potential component unit even though the potential component unit may have a separately elected governing board, a board appointed by another government, or a jointly appointed board if the potential component unit is fiscally dependent on the primary government (e.g., the primary government must approve the potential component unit's budget, tax rates, etc.). Because no potential component units were identified in defining the Authority's reporting entity, none have been included in the Authority's reporting entity.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Accounting - The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad categories as follows:

Proprietary Fund

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with the activity are included on their balance sheets. The measurement focus is upon the determination of net income, financial position and changes in financial position.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

Budgetary Accounting - The authority adopts an annual nonappropriated budget as a management control device. The budget is prepared on the modified accrual basis, which is a different basis of accounting than is used to present the financial statements. (See note 11 for reconciliation.)

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

Cash Equivalents - Cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Restricted Assets - Certain proceeds of the Authority's ADOT loan, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable loan covenants.

Property, Plant and Equipment - Property, plant and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant and equipment is recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized was calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

NOTE 2 - CASH AND INVESTMENTS

State statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool.

The Authority's deposits as of June 30, 1995 were entirely insured or collateralized with securities held by the Authority's custodial bank in the Authority's name.

The Authority's investments consisted of amounts deposited in interest bearing bank accounts.

NOTE 3 - RESTRICTED ASSETS

Restricted assets consist of the following:

ADOT Loan	<u>\$ 75,930</u>
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KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 4 - PROPRIETARY FUND FIXED ASSETS

The following is a summary of proprietary fund fixed assets at June 30, 1995:

Land and improvements	
Airport	\$ 3,073,455
Industrial park	1,815,301
Buildings and improvements	
Airport	684,385
Industrial park	106,197
Furniture, machinery and equipment	127,570
Construction in progress	5,775
Less: accumulated depreciation	(1,504,708)
Net fixed assets	<u>\$ 4,307,975</u>

The following estimated useful lives are used to compute depreciation:

Land and improvements	10-30 years
Buildings and improvements	7-30 years
Furniture, machinery and equipment	3-8 years

NOTE 5 - INTANGIBLE ASSETS

The following is a summary of intangible assets recorded in the Enterprise Fund which consist of site plans and a promotional video and are being amortized over periods from 7 to 15 years on a straight-line basis:

Intangible assets	\$ 76,734
Less: accumulated amortization	(22,147)
Net intangible assets	<u>\$ 54,587</u>

NOTE 6 - LINE OF CREDIT PAYABLE

The Authority has a line of credit with a local financial institution to provide short-term cash flow up to \$150,000. There was no balance outstanding at June 30, 1995.

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 7 - OBLIGATIONS UNDER CAPITAL LEASES

The Authority has acquired a tractor under the provisions of a long-term lease agreement classified as a capital lease. Accordingly, the principal amount of the asset, totaling \$33,070, is capitalized in the Enterprise Fund. The lease provides for a bargain purchase option. The future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 1995, were as follows.

Year ending June 30, 1996	\$ 6,437
Net minimum lease payments	6,437
Less: amount representing interest	(309)
Present value of net minimum capital lease payments	<u>\$ 6,128</u>

A summary of the changes in capital lease obligations resulting from purchases of items capitalized in the Enterprise Fund follows.

<u>Assets Acquired</u>	<u>Balance July 1, 1994</u>	<u>Reduction</u>	<u>Balance June 30, 1995</u>
Machinery and equipment	<u>\$ 15,030</u>	<u>\$ (8,902)</u>	<u>\$ 6,128</u>

NOTE 8 - NOTES PAYABLE

Notes payable at June 30, 1995 consisted of the outstanding notes presented below. Principal and interest requirements at June 30, 1995, were as follows.

<u>Description</u>	<u>Interest Rates(%)</u>	<u>Maturity</u>	<u>Outstanding Principal July 1, 1994</u>	<u>Issues/ (Retirements)</u>	<u>Outstanding Principal June 30, 1995</u>
Laughlin National Bank	Prime plus 2.5	Monthly through 2/19/95	\$ 7,307	\$ (7,307)	\$ -0-
Goodyear/ Airtreads	8.0	9/1/95	42,284	-0-	42,284
ADOT	6.49	7/1/94-98	329,733	(74,828)	254,905
Total notes payable			<u>\$ 379,324</u>	<u>\$ (82,135)</u>	<u>\$ 297,189</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 8 - NOTES PAYABLE (Concl'd)

Notes payable debt service requirements to maturity, including \$38,287 of interest, are as follows:

Year ending June 30:		
	1996	\$ 143,022
	1997	96,227
	1998	96,227
		<hr/>
	Total	<u>\$ 335,476</u>

NOTE 9 - RESERVED RETAINED EARNINGS

The Authority is obligated by the Federal Aviation Administration to invest an amount equal to the proceeds of land sales at the Kingman Industrial Park in improvements to and operations of the Kingman Airport within five years from the date of the sale. The amount obligated to be spent for airport improvements and operations in the reserved retained earnings at June 30, 1995 is \$167,461. The authority complied with all regulations regarding its sale of land at the Kingman Airport and Industrial Park.

Changes in the Reserved Retained Earnings during the year ended June 30, 1995 were as follows:

Balance, Beginning of Year	\$ (287,824)
Add: Land Sales During Year	526,000
Deduct: Expenses at Kingman Airport	(70,715)
	<hr/>
	<u>\$ 167,461</u>

NOTE 10 - CONTRIBUTED CAPITAL

Contributed capital increased by the following amounts:

Donated assets	\$ 8,300
Capital grants received	819
Contributed capital, July 1, 1994	4,148,116
	<hr/>
	<u>\$ 4,157,235</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 11 - LEASE REVENUES

As discussed in Note 1, the Authority subleases, under operating leases, certain property and improvements.

The operating leases have varying terms ranging from a month-to-month basis to twenty-five years. Most leases extending over a one year period contain a rent adjustment based on the consumer price index. Some leases contain an option to renew for a similar term.

Minimum future rental to be received on non-cancelable leases as of June 30, 1995, for each of the next five years and in the aggregate are:

Year ended June 30,	
1996	\$ 186,682
1997	182,782
1998	136,782
1999	25,782
2000	15,457
Thereafter	160,213
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Total minimum future rentals	<u>\$ 707,698</u>

NOTE 12 - BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the Enterprise Fund was prepared on the modified accrual basis. Consequently, the following adjustments are necessary to reconcile budgetary to GAAP basis.

		<u>Enterprise Fund</u>	
		<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenses</u>
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings		\$ 266,598	\$ 662,560
Nonoperating revenues and expenses		589,693	102,647
Adjustments to present data on the budgetary basis -	additions	11,014	109,049
	subtractions	-0-	(233,339)
Combined Statement of Revenues and Expenses, - Budget and Actual - (Budgetary Basis)		<hr/> <u>\$ 867,305</u>	<hr/> <u>\$ 640,917</u>

KINGMAN AIRPORT AUTHORITY, INC.
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 1995

NOTE 13 - RISK MANAGEMENT

The Authority is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents.

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN

All full-time employees of the Authority participate in a defined contribution pension plan administered by The Principal Financial Group. The payroll for Authority employees covered by this plan for the year ended June 30, 1995 was \$144,667. The Authority's total payroll was \$206,731.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such a participant's account. All full-time Authority employees must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions made by the Authority vest gradually according to the following schedule:

<u>Years of Service</u>	<u>Percentage Vesting</u>
1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

An employee that leaves the employment of the Authority is entitled to his or her contributions and the vested portion of the Authority's contributions, plus interest earned. Each employee can contribute up to 6% of his or her gross earnings. The Authority must contribute 6% of covered earnings. During fiscal year 1994-95 the Authority's required and actual contributions amounted to \$8,680. The employees' contributions totaled \$3,931.

No pension provision changes occurred during the year that affected the required contributions to be made by the Authority or its employees.

The Principal Financial Group held no securities of the Authority or other related parties during the fiscal year 1994-95 or as of the close of the fiscal year.

Supplementary Schedule

ENTERPRISE FUND
SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 1995

	Airport	Industrial Park	Totals
OPERATING REVENUES			
Leases	\$ 200,692	\$ 65,906	\$ 266,598
Total operating revenues	200,692	65,906	266,598
OPERATING EXPENSES			
Personnel	116,841	89,890	206,731
Payroll taxes and benefits	28,946	23,599	52,545
Office expense	5,355	5,316	10,671
Professional services	6,225	16,685	22,910
Maintenance and repairs	21,998	19,470	41,468
Motor pool	5,534	5,324	10,858
Operational expense	43,436	40,602	84,038
Depreciation	156,888	70,901	227,789
Amortization	2,058	3,492	5,550
Total operating expenses	387,281	275,279	662,560
Operating income (loss)	(186,589)	(209,373)	(395,962)
NONOPERATING REVENUES (EXPENSES)			
Contributions and donations	-	53,233	53,233
Interest revenue	3,026	1,557	4,583
Application fees	-	4,750	4,750
Land sales	-	526,000	526,000
Miscellaneous revenues	1,055	72	1,127
Interest expense	(22,534)	(890)	(23,424)
Contingencies	-	(79,223)	(79,223)
Total Nonoperating revenues (expenses)	(18,453)	505,499	487,046
Net Income (loss)	\$ (205,042)	\$ 296,126	\$ 91,084